

54-1060

**DEERFIELD TOWNSHIP**

**MECOSTA COUNTY, MICHIGAN**

**AUDIT REPORT**

**MARCH 31, 2004**

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name DEERFIELD TOWNSHIP	County MECOSTA
Audit Date 3-31-2004	Opinion Date July 15, 2004	Date Accountant Report Submitted to State: July 27, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) TERRY KIRKPATRICK, CPA, P.C.			
Street Address 211 MAPLE STREET	City BIG RAPIDS	State MI	ZIP 49307
Accountant Signature <i>Terry D Kirkpatrick, CPA</i>		Date 7-22-04	

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**Independent Auditor's Report**

July 15, 2004

To the Honorable Supervisor and Members of the Township Board  
of Deerfield Township, Mecosta County, Michigan

We have audited the accompanying general purpose financial statements of Deerfield Township, Mecosta County, Michigan as of and for the year ended March 31, 2004, as listed on the contents page. These general purpose financial statements are the responsibility of management of Deerfield Township. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

The scope of our audit did not include verification of the fund balance at April 1, 2003.

In our opinion, except for the effects of such adjustment, if any, as might have been determined to be necessary had we been able to determine the validity of beginning fund balances, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Deerfield Township as of March 31, 2004, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary financial data as listed on the contents page is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of Deerfield Township, Mecosta County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

*Terry Kirkpatrick, CPA, P.C.*

Deerfield Township – Mecosta County, Michigan

Combined Balance Sheet

All Fund Types and Account Groups

March 31, 2004

	Governmental <u>Fund Types</u>	Fiduciary <u>Fund Types</u>	Account <u>Group</u>	<u>Totals</u>
	<u>General</u>	<u>Current Tax</u>	<u>General Fixed Assets</u>	<u>(Memorandum Only)</u>
<b>ASSETS</b>				
Cash in Bank	\$ 198,565	\$ 159	\$ 0	\$ 198,724
Certificates of Deposit	74,653	0	0	74,653
Taxes Receivable- Delinquent	4,079	0	0	4,079
Due from Current Tax Fund	159	0	0	159
Land	0	0	15,600	15,600
Building	0	0	50,601	50,601
Equipment	0	0	8,474	8,474
Total assets	<u>\$ 277,456</u>	<u>\$ 159</u>	<u>\$ 74,675</u>	<u>\$ 352,290</u>
<b>LIABILITIES AND FUND EQUITY</b>				
Payroll Taxes Payable	\$ 246	\$ 0	\$ 0	\$ 246
Due to General Fund	0	159	0	159
Investment in General Fixed Assets	0	0	74,675	74,675
Fund Balance	277,210	0	0	277,210
Total liabilities and fund equity	<u>\$ 277,456</u>	<u>\$ 159</u>	<u>\$ 74,675</u>	<u>\$ 352,290</u>

The "Notes to Financial Statements" are an integral part of these statements.

Deerfield Township – Mecosta County, Michigan  
General Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
For the Year Ended March 31, 2004

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REVENUES

Taxes	\$	30,187
Licenses and Permits		290
State Grants		102,296
Interest and Rents		4,407
Other Revenue		4,565
Total revenues		<u>141,745</u>

EXPENDITURES

Legislative		2,216
General Government		43,603
Public Safety		37,968
Public Works		41,629
Recreation and Cultural		600
Other Functions		8,435
Total expenditures		<u>134,451</u>

EXCESS OF REVENUES OVER (UNDER) EXPENDITURES 7,294

FUND BALANCE - April 1, 2003	<u>269,916</u>
FUND BALANCE - March 31, 2004	<u>\$ 277,210</u>

The "Notes to Financial Statements" are an integral part of these statements.

# Deerfield Township – Mecosta County, Michigan

## General Fund

### Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual For the Year Ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Taxes	\$ 26,000	\$ 30,187	\$ 4,187
Licenses and Permits	0	290	290
State Grants	100,000	102,296	2,296
Interest and Rents	3,000	4,407	1,407
Other Revenue	1,000	4,565	3,565
Total revenues	130,000	141,745	11,745
<b>EXPENDITURES</b>			
Legislative			
Township board	2,610	2,216	394
General Government			
Supervisor	3,200	2,740	460
Elections	1,300	569	731
Assessor	13,000	11,394	1,606
Clerk	8,710	7,667	1,043
Board of review	900	555	345
Treasurer	12,053	12,241	(188)
Building and grounds	5,000	3,937	1,063
Cemetery	5,100	4,500	600
Total general government	49,263	43,603	5,660
Public Safety			
Fire fighting	90,800	37,968	52,832
Public Works			
Highways, Streets and Bridges	30,000	41,629	(11,629)
Recreation and Cultural			
Library	600	600	0
Other Functions			
Insurance and bonds	6,500	2,375	4,125
Retirement	9,800	6,060	3,740
Total other functions	16,300	8,435	7,865
Total expenditures	189,573	134,451	55,122
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(59,573)	7,294	66,867
FUND BALANCE - April 1, 2003	269,916	269,916	0
FUND BALANCE - March 31, 2004	\$ 210,343	\$ 277,210	\$ 66,867

The "Notes to Financial Statements" are an integral part of these statements.

***NOTES TO FINANCIAL STATEMENTS***



Deerfield Township – Mecosta County, Michigan  
Notes to Financial Statements  
For the Year Ended March 31, 2004

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NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present Deerfield Township. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

Basis of Presentation

The accounts of the Township are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded in those funds.

The financial activities of Deerfield Township are recorded in separate funds and account groups categorized as follows:

GOVERNMENTAL FUNDS

General Fund

This fund is used to account for all financial resources except those provided for in another fund. Revenues are primarily derived from property taxes, State and Federal aid, and charges for services to provide for the administration and operation of: (1) general local unit governmental departments, boards, and commissions; (2) court systems; (3) law enforcement; and (4) health, welfare and medical assistance. The fund includes the general operating expenditures of the local unit.

FIDUCIARY FUNDS

Trust and Agency Funds

These funds account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include: (a) Expendable Trust Funds; (b) Nonexpendable Trust; (c) Pension Trust Fund and (d) Agency Funds.

ACCOUNT GROUPS

General Fixed Assets Account Group

This Account Group presents the fixed assets of the local unit utilized in its general operations (nonproprietary fixed assets).

Fixed assets used in the general operation of the Township are recorded as expenditures when purchased and are accounted for in the General Fixed Assets Account Group. No depreciation is recorded for these general fixed assets. Infrastructure assets, including roads, bridges, sanitary sewers, drains, curbs, and gutters are not capitalized.

Deerfield Township – Mecosta County, Michigan  
Notes to Financial Statements - Continued  
For the Year Ended March 31, 2004

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NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of Accounting

The accrual basis of accounting is used by the Proprietary Funds, Pension Trust Funds, and Nonexpendable Trust Funds. The modified-accrual basis of accounting is used by all Governmental Funds, Agency Funds and Expendable Trust Funds. Revenue and other sources are recognized in the accounting period in which they become susceptible to accrual – that is when they become both measurable and available to finance expenditures of the fiscal period. Expenditures are recognized when the related liability is incurred. Modifications from the accrual basis are as follows:

- a. Property tax revenue should be recognized in accordance with MCGAA Statement 3:

Properties are assessed and lienied as of December 31 and their related property taxes are billed on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county delinquent tax rolls.

- b. Interest income on special assessments receivable is not accrued until its due date.
- c. Interest expense on bonded indebtedness and other long-term debt is not accrued until its due date.
- d. Payments for inventorable types of supplies are recorded as expenditures at the time of purchase.
- e. Normally, expenditures are not divided between years by the recording of prepaid expenses.

Current Taxes

Although the Deerfield Township 2003 ad valorem tax is levied and collected on December 1, 2003, it is Deerfield Township's policy to recognize revenue from the current tax levy.

The 2003 State taxable valuation of Deerfield Township totaled \$25,240,000, on which ad valorem taxes levied consisted of 1.1826 mills for Deerfield Township operating purposes. The amounts are recognized in the General Fund.

Budgetary Data

The Township follows these procedures in establishing the budgetary data reflected in the financial statements.

1. At the board meeting in April, the Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing April 1. The operating budget includes proposed expenditures and the means of financing them for the General Fund.
2. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
3. In April, the budget is legally enacted on a departmental (activity) basis through passage of a resolution.
4. Budget and appropriations lapse at year-end except for approved contracts and certain federal grants which are appropriated on a contract (grant) or entitlement-length basis.



Deerfield Township – Mecosta County, Michigan  
Notes to Financial Statements - Continued  
For the Year Ended March 31, 2004

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NOTE D – RETIREMENT PLAN

The Township's retirement plan is administered by the Manufacturer's Life Insurance Company. It is a defined contribution retirement plan which provides retirement benefits for all Township officials. The Township contributed \$4,633 for its year ended 3/31/04. An employee becomes fully vested upon completion of 20-months participation in the plan.

NOTE E – RISK FINANCING

Deerfield Township is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; liability; and natural disasters. These risks are covered by insurance purchased from independent third parties. Settled claims for these risks have not exceeded insurance coverage for the past two years.

***SUPPLEMENTARY FINANCIAL DATA***

Deerfield Township – Mecosta County, Michigan

General Fund

Detail Schedule of Actual Expenditures

For the Year Ended March 31, 2004

LEGISLATIVE

Township Board	
Salaries and wages	\$ 2,080
Printing and publishing	136
Total legislative	<u>\$ 2,216</u>

GENERAL GOVERNMENT

Supervisor	
Salaries and wages	\$ 2,500
Office supplies	240
Total supervisor	<u>2,740</u>

Elections	
Salaries and wages	399
Supplies	170
Total elections	<u>569</u>

Assessor	
Contracted services	11,394

Clerk	
Salaries and wages	7,510
Office supplies	130
Travel	27
Total clerk	<u>7,667</u>

Board of Review	
Salaries and wages	555

Treasurer	
Salaries and wages	9,378
Office supplies	1,653
Printing and publishing	1,006
Miscellaneous	204
Total treasurer	<u>12,241</u>

Building and Grounds	
Supplies	1,080
Telephone	621
Utilities	1,273
Miscellaneous	963
Total building and grounds	<u>3,937</u>

Cemetery	
Contracted services	4,500
Total general government	<u>\$ 43,603</u>

Deerfield Township – Mecosta County, Michigan  
General Fund  
Detail Schedule of Actual Expenditures - Continued  
For the Year Ended March 31, 2004

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PUBLIC SAFETY

Fire Fighting	
Contracted services	\$ 10,800
Contribution to Morley Area Fire Department	27,168
Total public safety	<u>\$ 37,968</u>

PUBLIC WORKS

Highways, Streets and Bridges	
Contracted services	<u>\$ 41,629</u>

RECREATION AND CULTURAL

Library	
Contribution to libraries	<u>\$ 600</u>

OTHER FUNCTIONS

Insurance and Bonds	
Insurance	\$ 2,375
Retirement	
Pension payments	4,633
Social security and Medicare tax	1,427
Total retirement	<u>6,060</u>
Total other functions	<u>\$ 8,435</u>

Deerfield Township – Mecosta County, Michigan  
Current Tax Fund  
Statement of 2003 Tax Levy – Receipts and Disbursements  
For the Year Ended March 31, 2004

	Rate in Mills	State Taxable Valuation	2003 Tax Levy	Taxes Returned Delinquent	Total Tax Collected
Mecosta County	7.3353	\$ 25,240,000	\$ 184,830	\$ 25,355	\$ 159,475
State Education Tax	5.0000	25,240,000	126,231	8,359	117,872
Deerfield Township	1.1826	25,240,000	29,796	4,087	25,709
Morley-Stanwood Schools - Debt	7.0000	25,240,000	109,243	17,803	91,440
- Operating	18.0000	9,800,000	176,396	23,743	152,653
Mecosta-Osceola ISD	4.1080	25,240,000	103,507	14,045	89,462
Montcalm Community College			75	0	75
			\$ 730,078	\$ 93,392	\$ 636,686

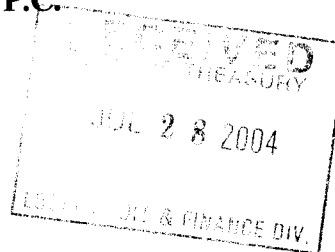
Receipts	
Total taxes collected	\$ 636,686
Penalties and Interest	670
Dog licenses	423
Interest	173
Total receipts	\$ 637,952

Disbursements	
Mecosta County (includes SET)	\$ 278,050
Morley-Stanwood Schools	244,092
Mecosta-Osceola ISD	89,461
Montcalm Community College	75
Deerfield Township	26,144
Total disbursements	\$ 637,822



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July 15, 2004

Members of the Deerfield Township Board  
Mecosta County, MI

I recently completed my audit of the general purpose financial statements of Deerfield Township for the year ended March 31, 2004. During the audit, I had an opportunity to test internal controls and to observe the accounting and financial procedures and many of the general management practices of Deerfield Township. Based upon these tests and observations, there are several matters that I specifically want to call to your attention.

**RECORD CHANGES IN CERTIFICATES OF DEPOSIT**

The Clerk and Treasurer need to record increases and decreases in the balances of the certificates of deposit owned by the Township. We had to inquire at your bank to determine the balances of the certificates of deposit owned by the Township at the beginning and end of the year.

**OFFICIAL'S COVERED BY PENSION PLAN NOT  
SUBJECT TO SOCIAL SECURITY/MEDICARE TAX**

The Township officials covered by the pension plan are not subject to social security tax unless the Township has a signed agreement with the social security administration. In addition, if the official has been in office since March 31, 1986, the wage is not subject to the Medicare portion of the tax either. This will save the official 7.65% of his/her salary in tax and it will also save the Township the 7.65% in matching costs.

This is one of the benefits of having the Township provide a pension plan for the officials.

This comment was also mentioned in the Township audit for the year ended March 31, 2002.

**OTHER MATTERS**

I have enjoyed working with your staff. Their competence and assistance were instrumental in my timely completion of the audit.

Two copies of the audit report, the auditing procedures report, and this letter should be mailed to the Michigan Department of Treasury, Local Audit Division. A pre-addressed envelope is being provided for your convenience.

If you have any questions regarding this letter or the audit, please do not hesitate to contact me.

*Terry D Kirkpatrick CPA, P.C.*